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Memorandum For: Chief, St/I/R
Through: Chief, D/S
From: Chief, S/TR

Subject: Intelligence Requirements for Freight Rates and Cargo Handling
Costs in European-Far East Shipping

BACKGROUND

In carrying out the ORR research program and in furnishing support to other projects as a part of its responsibilities in transport intelligence research, S/TR has continuing need for current data on freight rates and cargo handling costs in seaborne traffic between European and Far Eastern ports. Numerous inquiries to various official sources and industry contacts in Washington indicate that the required information is not available in Washington.

Commodities and ports for which information is required are shown in the attached list. This requirement deals primarily with commodities moving between Northwestern European ports, including the UK, and Chinese mainland ports, but a few ports in other areas have been included. These are included for additional coverage and should be treated in the same manner as the others. Although the list may appear lengthy, it is actually a brief sampling of commodities and ports involved in European-Far East trade. It is designed, however, to furnish representative rates and costs which can reasonably be applied to arrive at rates and costs applicable to virtually all commodities in the trade.*

REQUIREMENTS

Freight rate and cargo handling costs are desired for commodities moving between the ports shown in Attachment 1. The following suggestions are submitted for guidance in collecting data to fulfill this requirement:

1. A freight rate is desired for each commodity between each port of origin and each port of destination listed. For example, a rate is desired for acetic acid moving from Antwerp to Taku Bar, from Antwerp to Shanghai, and from Antwerp to Whampoa. A rate is also desired from Odynia to each of the three Chinese ports listed. The same is true of cargoes moving in the other direction. For example, a rate is desired for albumen moving from Taku Bar to Antwerp and to Odynia as well as from Shanghai or Whampoa to Antwerp or Odynia. Where rates are identical for cargoes to or from ports listed, they may be so reported in order to expedite reporting.

* The terms "rates" and "costs" as used herein are intended to be synonymous with prices or charges assessed against the consignor or consignee of cargo, and are not intended to connote the actual cost to the operator of providing the service.

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It is desired that a freight rate be secured for large-scale movements of the commodities listed, as well as rates for small quantities of such commodities. It is realized that such terms are relative. Some commodities (oil, grain, ores) generally move in shiploads. For these cases the full ship charter rate (trip or time) is desired. The type of charter and its terms should be made clear. There is, on the other hand, actually no large tonnage involved in the movement of many of the commodities listed (e.g., carbon black, drugs, and dyestuffs.) In those cases, the rates may be regular tariff rates, usually set by liner conference agreements. The rate distinctions in such instances will be those where the carrier has different rates for varying quantities carried in liner services. If there are such varying rates, they should be reported.

In all cases, the basis upon which the rate is quoted should be noted. That is, whether the rate is for long tons, short tons, metric tons, weight/measure tons, or other base. Basic rates and all discounts from such rates should be reported, with the basis for discounts described. All surcharges should be noted, with the date of their imposition and date of termination, if available. The effective date of all rates reported should be noted. Report all rates in either US or British currency, not in percentages of US Maritime Administration (USMA) or British Ministry of Transport (MOT) rates.

It is possible that in some instances, sources will state there is no present freight rate for given commodities moving between some of the ports listed. This will be true for various reasons and may be accepted at face value. In such instances, however, sources should be requested to furnish a rate for the same or a comparable commodity moving between the same or comparable ports with an estimate of any variation in rates due to substitution.

2. Cargo handling costs are desired for listed commodities for each port of origin and for each port of destination as described above. Such costs may be presented in two parts, representing handling costs at port of origin and also at destination, or they may be presented in one combined figure, whichever is more convenient to source. The nature of the figure should, however, be made clear to avoid errors. The handling cost figure should include all expenses of handling a ton of cargo which are not reflected in the freight rate. Since the purpose of securing freight rates, as well as cargo handling costs, is to determine the actual cost of moving a ton of cargo from consignor to consignee (excluding

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rail, air, or truck costs) it is apparent that all components of the freight rate and the cargo handling cost figure should be mutually exclusive. It is realized that determining cargo handling costs may involve a little research on the part of industry sources. Shipping companies, stevedores, and freight forwarders, however, keep detailed current records which should yield the required data with a minimum of effort. In the case of shiploads of a single cargo (e.g., fertilizer, oil, sugar, grain) or large tonnages of two or three cargoes in a single ship, there should be little or no difficulty in obtaining cargo handling costs per ton. In those cases where the commodity for which handling costs are desired is mixed with other cargo, it may be necessary to rely upon cost experience data, which in most instances should be readily available to industry sources. It may be necessary, furthermore, in some instances, to accept estimates of such costs instead of actual figures. Where there appears to be a reasonable basis for such estimates they should be accepted and noted as such. A suggested format for presentation of cargo handling costs is shown in Attachment 2.

3. It will be noted that in many instances the commodity listed is followed by a notation, such as, "drum", "boxed", "bulk", or other notations. These notations are intended to show the usual form in which some commodities listed are shipped as a guide to the basis upon which rates will probably be quoted. Sources should be instructed on that point and advised that quotations on any other basis should be accepted and noted. In all instances, however, the container, if any, upon which the rate is quoted should be clearly noted, with separate rates for other containers, or no container. For example, steel sheets often have two rates; one for sheets in packages or bundles, and another for sheets shipped without such packaging. Both rates should be reported. In some instances, weak solutions of some acids may be shipped in steel or other metal drums, while stronger solutions of the same acid are required to move in carboys or other special containers. In such instances, there would be varying rates for apparently the same commodity, which might cause confusion. It is suggested, therefore, that the list of commodities be carefully examined by all reporting sources for such rate variations and that they be noted in reporting.

4. There are a number of sources for the intelligence requested in this requirement. CIA/OSR sources in Frankfurt and in the Far East have not been exploited for this intelligence and may be able to contribute in its collection.

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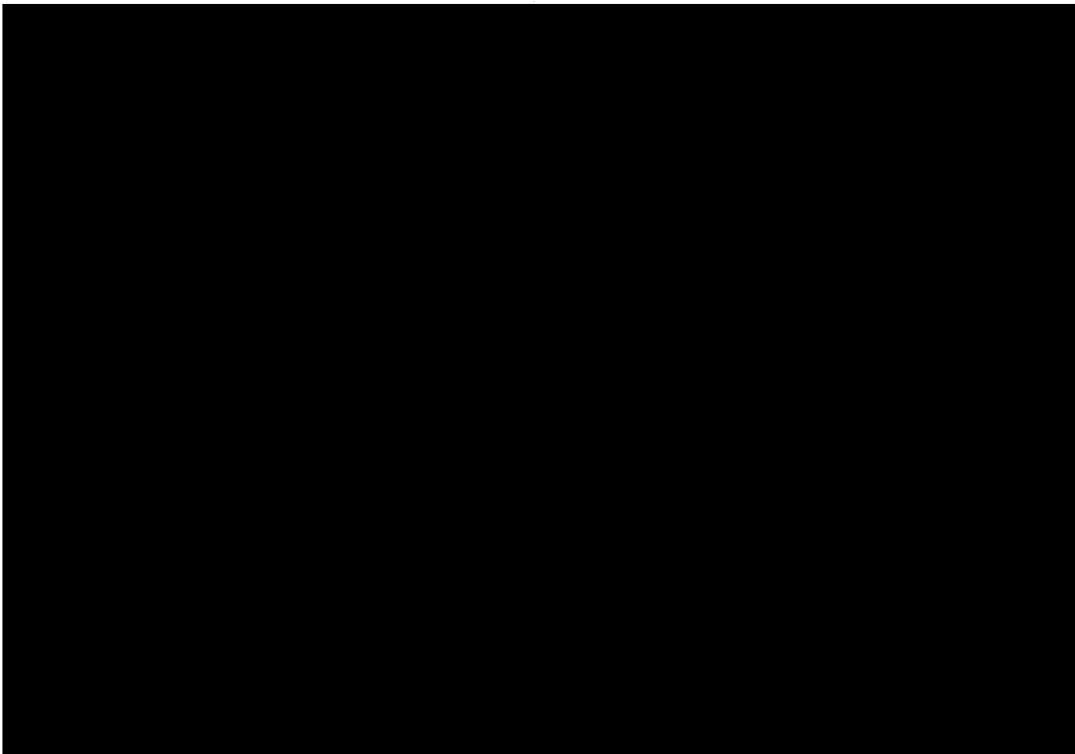
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The best unclassified sources appear to be the merchant shipping industry and other related sources outside of Washington. Shipping companies which operate between the ports concerned are probably the best unclassified sources for both freight rates and cargo handling costs. There are listed below a number of US and foreign-flag shipping companies which, because of their area of operation or position in the industry, may be excellent sources. The foreign-flag companies are believed to have been involved in the China trade in recent months from some of the ports for which rates and costs are requested. It should be made very clear, however, that the US flag companies listed are not considered to be trading with Communist China. They are included solely on the basis of their position in the industry and the fact that they operate in some of the other areas for which rates and costs are required. Some of these companies were recently contacted, however, without results. Whether to contact them again is left to the discretion of the field offices.

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5. In addition to the steamship companies listed above there are several other sources which deal with freight rate data and cargo handling cost data on an industry or operating area basis. Some are organized collection centers and clearing houses for such information. Others act simply as meeting places for the industry, with little function as statistical sources. The latter are included here largely for their use in furnishing leads of value. The over-all listing follows.

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6. The format used for the presentation of data should be dependent largely on how the data are made available by the various sources. It would be desirable, however, if all reporting under this requirement could be consistent in format in order to expedite analysis. Although rates are changed frequently, periodic reporting is not required at this time. A single overall report, followed by spot check reporting of various rates at a later date as needed is believed to be adequate at this time.

As noted above, the format of material submitted depends largely upon how it is received from sources. The attached partial pro forma, (See Attachment 3) with typical notations, is submitted as a suggestion as to how the information might be presented by collection agencies.

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Sources Checked: 1) US Maritime Admin. 2) Industry Sources, Wash., D.C. 3) OO/C, N.Y.

Degree of Need: Routine

Requested by:  Ext. 2730 25X1A9a

- Attachments:
1. Ports and Commodities Involved in Requirement
 2. Cargo Handling Costs in Ports listed in Attachment 1.
 3. Suggested Format of Intelligence Requirement Submission

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